

## UNIFORM ACCOUNTING PROCEDURES

### **FEDERAL AND STATE AID PROJECTS (Continued)**

If the final accounting indicates the total amount paid by the road commission through progress billings exceeds the local share of the project, MDOT will refund the difference to the road commission. The road commission should receipt this refund as a credit to Account #125 (for Federal contracts) or #126 (for State contracts). The Account #125 (or #126) balance of this project will then be zero. The respective deferred revenue, revenue, and/or expenditure accounts may need to be adjusted to match the final accounting.

In instances involving cost overruns, the road commission may receive a final accounting statement from MDOT before it receives the billing from MDOT for the road commission share of the cost overrun. If final project costs are recorded prior to receipt of the MDOT cost overrun bill, the road commission share of the overrun should be credited to Account #228.19 - Due to State of Michigan-State Highway-Other Services. The subsequent payment of the overrun bill should be debited to Account #228.19.

Following is an example of accounting for a Federal aid project performed by a private contractor on a primary road: (Assume that the MDOT Job Number for this project is 44841A)

#### **EXAMPLE 1**

##### **Facts per Exhibit 1 of the Contract**

##### **COST PARTICIPATION**

<b>Grand Total Estimated Cost</b>	<b>\$ 279,600</b>
<b>Less Federal Funds</b>	<b><u>100,000</u> *</b>
<b>Balance (Requesting Party's Share)</b>	<b><u>\$ 179,600</u></b>

- Federal funds for all safety projects are subject to a maximum level of funding established to be \$100,000.

The contract states that the Federal funds are under the Surface Transportation Program.

(Note: There may be more than one funding source so you may have to refer to the contract for the specific type of Federal and State aid).

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### FEDERAL AND STATE AID PROJECTS (Continued)

Based on the provisions in Exhibit 1 of the contract, we can express the Federal and local shares in percentages as follows:

Federal Share	$\frac{100,000.00}{279,600.00}$	=	36%	<b>Maximum of \$100,000</b>
Local Share	$\frac{179,000.00}{279,600.00}$	=	64%	

Construction Estimate or Project Voucher Summary information is as follows:

	<u>Estimate/ Summary #1</u>	<u>Estimate/ Summary #2</u>
Total Amount Earned or Gross Earnings	\$264,344.58	\$288,450.22
Less Reserve or Retainage	7,300.00	7,211.26
Total Amount Allowed or Net Earnings	257,044.58	281,238.96
Payment Due Contractor or Amount Due	257,044.58	24,194.38

Based on the information provided in the estimate or voucher summary #1 the following entries would be made:

<u>Account Number</u>	<u>Sub- Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
459.XXX	XXXXXX	Applicable Expenditure Activity/Account	\$265,344.58	
510.071	XXXXXX	STP - Primary Revenue Account (264,344.58 X 36%)		\$ 95,164.05
125	XXXXXX	Deferred Expense-Federal Aid Projects (264,344.58 X 64%)		169,180.53

(To record project expenditures on a primary road and federal aid earned on project 44841A, based on the contractor's total amount earned or gross earnings for work performed through 8/30/99 per MDOT construction estimate #1 or project voucher summary 1 dated 9/19/99.)